

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 07941 01 OF 02 020925Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 /115 W
-----128380 020948Z /21

P 020904Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7619
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 01 OF 02 TOKYO 07941

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL 27-
MAY 2

1. SUMMARY: OFFICIAL RESERVES DROP \$1.7 BIL IN APRIL,
LARGELY AS RESULT OF INCREASE IN MINISTRY OF FINANCE (MOF)
FOREIGN CURRENCY DEPOSITS AT COMMERCIAL BANKS. RISE IN
INDUSTRIAL PLANT EXPORTS MODERATES IN FY 77. MITI
SURVEY SEES PLANT AND EQUIPMENT INVESTMENT COMING UP TO
OFFICIAL FORECAST LEVELS. INDUSTRIAL PRODUCTION ADVANCES
STRONGLY AGAIN IN MARCH. TOKYO CONSUMER PRICES UP 1.3 IN
APRIL. CONSTRUCTION ORDERS TAPER OFF IN MARCH, THOUGH UP
STRONGLY IN JAN-MARCH QUARTER. LITTLE CHANGE IN LABOR MAR-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 07941 01 OF 02 020925Z

KET PICTURE IN FEB. END SUMMARY.

2. JAPAN'S INTERNATIONAL RESERVES DECLINED ABOUT \$1.7 BIL
IN APRIL, TO \$27.5 BIL, THE MOF ANNOUNCED MAY 1 (TOKYO
7829). IN BACKGROUNDING TO THE PRESS, THE MOF REPORTEDLY
EXPLAINED THAT THE DOMINANT FACTOR LEADING TO THE APRIL
RESERVE DECLINE WAS A \$1.5 BIL INCREASE DURING THE MONTH

IN OFFICIAL FOREIGN CURRENCY DEPOSITS WITH AUTHORIZED FOREIGN EXCHANGE BANKS. MOF WAS SAID TO HAVE EXPLAINED THAT THESE DEPOSITS WERE BEING INCREASED PRIMARILY TO ENCOURAGE JAPANESE BANKS TO REDUCE THEIR HEAVY DEPENDENCE ON SHORT-TERM BORROWING ABROAD. SINCE FOREIGN CURRENCY LENDING BY BANKS IN JAPAN IS IN LARGE PART TO FINANCE IMPORTS, IT IS EXPECTED THAT THE EFFECT WOULD ALSO BE TO IMPROVE IMPORT FINANCING. (ENGLISH-LANGUAGE PRESS ACCOUNTS OF MAY 2 GAVE THE ERRONEOUS IMPRESSION THE APRIL FOREIGN CURRENCY DEPOSITS WERE PLACED WITH THE JAPAN EXIM-BANK TO FINANCE EMERGENCY IMPORTS. THE LATTER SCHEME IS SEPARATE FROM THE MOF FOREIGN CURRENCY DEPOSIT SYSTEM.) ACCORDING TO PRESS ACCOUNTS, THESE DEPOSITS NORMALLY CARRY A FLOATING INTEREST RATE SET AT UP TO 0.5 PERCENTAGE POINTS BELOW THE EURODOLLAR RATE. MOST OF THE DEPOSITS ARE FOR FOUR MONTHS WITH ROLLOVER PROVISIONS, BUT SOME EXTEND UP TO FIVE YEARS. ADDITIONS TO THE FOREIGN CURRENCY DEPOSITS WITH FOREX BANKS WERE RESUMED IN MARCH, WHEN THEY WENT UP BY A REPORTED \$0.5 BIL. THE OUTSTANDING BALANCE OF SUCH DEPOSITS IS ESTIMATED BY THE PRESS TO HAVE REACHED APPROXIMATELY \$6.5 BIL AT END OF APRIL. OTHER FACTORS CITED BY THE PRESS AS AFFECTING THE APRIL RESERVE DECLINE, THOUGH LESS IMPORTANTLY, WERE AN INCREASE IN BOJ/MOF YEN/DOLLAR SWAPS TO FINANCE IMPORTS AND BOJ DOLLAR SALES TO BRAKE ERRATIC EXCHANGE RATE FLUCTUATIONS (LATTER REPDRT IS NOT CONFIRMED AND AMOUNTS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 07941 01 OF 02 020925Z

WERE NOT SPECIFIED).

3. DOLLAR VALUE OF JAPAN'S VALIDATED EXPORTS OF INDUSTRIAL PLANTS ROSE 7.5 PCT IN FY 77 (APR 77-MAR 78) TO REACH \$8.6 BIL, THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) ANNOUNCED APRIL 25. GROWTH IN INDUSTRIAL PLANT EXPORTS SLOWED RAPIDLY LAST YEAR COMPARED WITH THE GIDDY 50 PCT RATE OF INCREASE AVERAGED (ALBEIT FROM A SMALL BASE) IN THE YEARS FROM 73 TO 76. MITI ATTRIBUTED THE SLOWDOWN TO (1) WEAKENED JAPANESE EXPORT COMPETITIVENESS DUE TO THE YEN APPRECIATION, (2) THE DIFFICULTY OF CONCLUDING CONTRACTS WHILE THE YEN EXCHANGE RATE FLUCTUATED RAPIDLY, AND (3) READJUSTMENT OF DEVELOPMENT PLANS BY IMPORTING NATIONS, RESULTING IN A GLOBAL DECLINE IN DEMAND FOR INDUSTRIAL PLANTS LAST YEAR. BY AREA, JAPAN'S INDUSTRIAL PLANT EXPORTS TO AFRICA (IN PARTICULAR TO ALGERIA AND NIGERIA) ROSE VERY RAPIDLY, UP NEARLY 140 PCT, AND NOW ACCOUNTED FOR 22.7 PCT OF JAPAN'S TOTAL INDUSTRIAL PLANT EXPORTS. PLANT EXPORTS TO MIDDLE EAST NATIONS, ON THE OTHER HAND, DECLINED BY 36 PCT LAST YEAR, THOUGH STILL REPRESENTING 21.5 PCT OF THE TOTAL PLANT EXPORTS.

4. A SURVEY ON PRIVATE PLANT AND EQUIPMENT INVESTMENT RELEASED BY MITI APRIL 27 PREDICTS A NOMINAL 10.5 PCT INCREASE FOR JFY 78. MITI ANTICIPATES PRICE INCREASE OF 3.8 PCT FOR FY 78. THE MITI FORECAST IS THUS VIRTUALLY IDENTICAL WITH THE IMPLICIT OFFICIAL GOJ FORECAST OF 6.7 PCT GROWTH (IN REAL TERMS) IN PRIVATE PLANT AND EQUIPMENT INVESTMENT IN JFY 78. STRENGTH IN NON-MANUFACTURING SECTOR, IN PARTICULAR ELECTRIC POWER INDUSTRY, ACCOUNTS FOR ALL OF THE ANTICIPATED IMPROVEMENT.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 07941 02 OF 02 020939Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 /115 W

-----128500 020947Z /21

P 020904Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7620
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 02 OF 02 TOKYO 07941

5. MINING AND MANUFACTURING PRODUCTION WAS UP A STRONG 1.6 PCT (S.A.) IN MARCH AND SHIPMENTS WERE UP 1.8 PCT. INVENTORIES DROPPED 2.0 PCT AND THE RATIO OF INVENTORIES TO SHIPMENTS FELL 2.6 PCT. THIS WAS THE FIFTH MONTH IN SUCCESSION OF RISING PRODUCTION FIGURES. SINCE OCT, THE INDUSTRIAL PRODUCTION INDEX HAS CLIMBED AT A 13.2 PCT ANNUAL RATE (TOKYO 5138).

6. REFLECTING THE USUAL SUBSTANTIAL APRIL INCREASES IN CERTAIN PRICES, TOKYO CONSUMER PRICES ROSE 1.3 PCT (N.S.A.) IN APRIL WITH THE INDEX NOW AT 123.9. THE NATIONAL CPI FOR MARCH ROSE 0.9 PCT TO STAND AT 121.2 (TOKYO 7663).

7. NEW CONSTRUCTION ORDERS, S.A., DECLINED IN MARCH, DOWN 3.5 PCT FROM THE PRIOR MONTH, BUT FOR THE JAN-MARCH QUARTER AS A WHOLE WERE UP A STRONG 7.2 PCT. ORDERS PLACED BY THE GOVT AND THE PUBLIC AGENCIES DURING MARCH CONTINUED TO RISE, BUT WERE MORE THAN OFFSET BY A SHARP DECLINE IN UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 07941 02 OF 02 020939Z

ORDERS PLACED BY THE PRIVATE SECTOR DURING THE MONTH. DURING THE JAN-MARCH QUARTER OF THIS YEAR, PUBLIC CONSTRUCTION ORDERS REBOUNDED MORE THAN 20 PCT BUT PRIVATE CONSTRUCTION ORDERS FELL SLIGHTLY AFTER THE 10.6 PCT SURGE IN THE PRECEDING QUARTER.

NEW CONSTRUCTION ORDERS, S.A.
(IN BIL YEN; PCT CHANGE FROM PRIOR PERIOD IN PAREN)

RECENT MONTHS	GOVT/PUBLIC	PRIVATE	TOTAL
- (JEI 324)	(JEI 325)	(JEI 323)	

1978:JAN	272.9(12.3)	283.8(-1.3)	622.6(9.4)
FEB	302.0(10.7)	295.8(4.2)	609.2 (-2.1)
MAR (PRE)	309.2(2.4)	263.4(-11.0)	587.6 (-3.5)

RECENT QUARTERS (MONTHLY AVERAGE):

1977:APR-JUN	240.4(4.4)	265.1(-0.8)	554.5 (3.3)
JUL-SEP	283.2(17.8)	258.6(-2.4)	567.2 (2.3)
OCT-DEC	243.8(-13.9)	286.0(10.6)	565.8 (-0.2)
1978:JAN-MAR	294.7(20.9)	281.0(-1.7)	606.5 (7.2)

8. LABOR CONDITIONS, S.A., SHOW A MIXED PICTURE IN FEB. THE NUMBER OF UNEMPLOYED ROSE TO 1.06 MIL IN FEB FROM 1.03 MIL IN JAN, THOUGH THE FEB UNEMPLOYMENT RATE REMAINED UNCHANGED FROM THE PRIOR MONTH AT 2.1 PCT. (NOTE: PRIME MINISTER'S OFFICE, USING DIFFERENT SEASONAL FACTORS THAN THE EPA, REPORTS ALSO THAT FEB UNEMPLOYMENT RATE WAS 2.1 PCT.) OVERTIME WORKED IN MANUFACTURING INDUSTRIES CONTINUED TO RISE IN FEB WHILE JOB OFFERS/APPLICANTS RATIO IMPROVED SLIGHTLY. UNIT LABOR COSTS, HOWEVER, ROSE FURTHER IN FEB. IN MARCH THE NUMBER OF UNEMPLOYED UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 07941 02 OF 02 020939Z

CLIMBED TO 1.08 MIL BUT UNEMPLOYMENT RATE REMAINED UNCHANGED AT 2.1 PCT.

LABOR CONDITIONS, S.A.	1977	1978
------------------------	------	------

JEI NO. SERIES (UNIT) DEC JAN FEB MAR

385 JOB OFFERS/APPLICANTS 0.54 0.53 0.54 N/A
- RATIO

401 MFG. OVERTIME (1975
- EQUALS 100) 142.0 142.9 143.4 N/A

378 UNEMPLOYED (THOUSANDS) 1180 1130 1160 1180

379 UNEMPLOYMENT RATE (PCT) 2.1 2.1 2.1 2.1

421 UNIT LABOR COST (1975
- EQUALS 100) 105.9 106.3 107.2 N/A

- OCT NOV DEC JAN

N/A LABOR PRODUCTIVITY,
- MACHINERY (1970 EQUALS
100) 172.9 185.0 N/A N/A

NOTE: ALL SERIES ARE SEASONALLY ADJUSTED BY EPA.
SHERMAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO07941
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780186-0597
Format: TEL
From: TOKYO USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197805100/aaaadhpm.tel
Line Count: 247
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: de314693-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2511532
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL 27- MAY 2
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/de314693-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014